

Message Text

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PAGE 01 ALGIER 00482 220954Z

ACTION EB-08

INFO OCT-01 EA-07 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

XMB-02 OPIC-03 /111 W

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FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 5975

INFO AMEMBASSY TOKYO

LIMITED OFFICIAL USE ALGIERS 0482

E.O. 11652: N/A

TAGS: EFIN, ENRG, AG

SUBJECT: JAPANESE INTEREST IN LNG CONSTRUCTION CONTRACTS

1. WE WERE VISITED FEBRUARY 21 BY MATSUMOTO, ALGIERS REPRESENTATIVE OF C. ITOH AND COMPANY OF TOKYO. MATSUMOTO INQUIRED ABOUT VISIT OF U.S. EXIMBANK TEAM TO ALGERIA EARLIER THIS MONTH AND TOLD US ABOUT JAPANESE INVOLVEMENT WITH LNG-2 LIQUEFACTION PLANT AT ARZEW AND GAS TREATMENT PLANTS AT HASSI R'MEL.

2. MATSUMOTO SAID THAT SONATRACH WAS PUSHING HARD FOR JAPANESE EXIMBANK FINANCING FOR ABOUT \$300 MILLION IN JAPANESE EQUIPMENT FOR LNG-2 AND SOMEWHAT SMALLER AMOUNT FOR FOURTH GAS TREATMENT PLANT AT HASSI R'MEL. HE SAID THAT JAPANESE (JAPAN GASOLINE) AND U.S. (STONE AND WEBSTER) WERE IN COMPETITION FOR FOURTH TREATMENT PLANT. (STONE AND WEBSTER HAS CONTRACT FOR FIRST AND JAPANESE FOR SECOND AND THIRD PLANTS.)

3. MATSUMOTO SAID THAT JAPANESE EXIM HAD REACHED ITS SELF-IMPOSED LIMIT OF \$1.3 BILLION IN EXPOSURE IN ALGERIA AND WAS LIMITED OFFICIAL USE

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PAGE 02 ALGIER 00482 220954Z

DISCUSSING WITH JAPANESE TREASURY POSSIBILITY OF RAISING LIMIT TO 1.6 OR 1.7. HE SAID JAPANESE EXIM WAS MOST INTERESTED IN U.S. EXIM POSITION ON LNG-2 (WHICH WE DESCRIBED AS VERY CAUTIOUS UNTIL LNG-2 IS PRODUCING) AND WAS GENERALLY SKITTISH ABOUT INCREASING ITS EXPOSURE. HE SAID THAT JAPANESE EXIM LIKES COMPANY WHEN IT GOES INTO BIG PROJECTS AND WOULD BE GREATLY INFLUENCED BY ATTITUDE OF U.S. EXIM AND OTHER LENDERS.

4. MATSUMOTO SAID THAT SONATRACH HAD FOUND SOME FINANCING FOR LNG-2 IN BELGIUM AND SOME IN SPAIN BUT THAT MOST OF THE MONEY (HE PUT TOTAL COST OF PLANT AT \$1.3 BILLION) HAD STILL TO BE FOUND.

5. COMMENT: WE UNDERSTAND THAT PULLMAN-KELLOGGG IS AT THE STAGE OF HEAVY ORDERING FOR LNG-2. MOST ORDERS WILL PROBABLY BE PLACED BY THE TIME LNG-1 BEGINS COMMERCIAL PRODUCTION (BY END OF THIS YEAR IF SCHEDULE IS MET.)

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Message Attributes

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